

Islam, Commerce, and Business Ethics

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INTRODUCTION

Islam is the only major world religion founded by a businessman, although, in a sense, Judaism, Christianity and Islam all trace their origins to another businessman, Abraham, the ancestor of Moses, Jesus and Muhammad, peace be upon them all. Islam has never had any hostility to the profession of the merchant. In the traditions called *hadîth* (sayings of the Prophet and his companions, distinct from God's direct revelation to Muhammad, called the *Qur'ân*), the Prophet is reported to have said, "The truthful and trusty merchant is associated with the prophets, the upright, and the martyrs."

I shall begin with an introduction to the notion of spirituality in Islam using a story of the creation of Adam, a story familiar from the Bible, although the Qur'anic version differs in certain significant details. I shall then turn to the Islamic perspective on commerce, its value, the importance of property rights and contract, the laws that govern commerce, and the place of commerce in man's spiritual life. Finally I shall offer an observation as to what it will take to sell the concept of free markets to the modern Muslim world and the Third World in general.

Theologically, man requires property in order to fulfill his function as the *khalîfah*, God's vicegerent on earth. The word *khalîfah* is used in Muslim history to refer to the temporal leader of the Muslim community (the "caliph"), but in the Qur'an it refers to every individual man and woman as God's agent, or steward, on earth. Legally, property has been sanctified in Islamic law. Morally, theft, fraud, and injustice of all kinds have been prohibited by the *shari'ah*, the Islamic law. Practically speaking, the objective of *falâh*, prosperity, cannot be achieved without respect for economic realities.

The historical success of Islam in providing the framework for a thriving world economy from the seventh to the fifteenth centuries is a matter of historical record, but it does not answer the question of whether Islam in particular, or religion and spirituality in general, are helpful to or necessary for the ethical conduct of business in the modern world. Modern institutions have allowed for corporate activity on an unprecedented scale, impossible in the era before the development of the modern corporation. I shall conclude by examining the advantages and disadvantages of those institutions, the moral challenges they pose and my opinions as to how religion and spirituality are necessary to deal with them.

THE KHALIFAH

Let me begin with a small sermon and some Qur'anic exegesis.

Behold thy Lord said to the angels: "I will create a vicegerent on earth." They said, "Wilt thou place therein one who will make mischief therein and shed blood? Whilst we do celebrate Thy praises and glorify Thy holy (name)?" He said: "I know what ye know not" (Qur'an 2:30, trans. Ali).

God is telling the angels he will create mankind and make him His agent on earth. The angels don't understand and ask why He would place the earth under the agency of a being endowed with free will, having the choice whether to obey or disobey God and therefore with the ability to create bloodshed and misery that the world might become a terrible place, while the angels are incapable of disobedience to the Lord. In other words, the angels are as baffled by the "problem of evil" as are some modern philosophers.

God asks the angels to describe the nature of things and they confess that they only know what God tells them; they have no ability to independently struggle to acquire knowledge (2:31-32). Adam, however, is able to state the nature of things (2:33). Adam's free will is inseparable from his ability to acquire knowledge. Thus, it is essential to God's plan to give agency over the earth to a being capable of free choice. Now comes the most startling part, God tells the angels to bow down to Adam (2:34), indicating that this being who can *choose* to obey Him is superior to creatures that obey Him of necessity. Man is superior; the angels are like any other creature that obeys God's will by its nature, a planet swimming in its orbit, a rock rolling down a hill, or the rain falling from the clouds. Their obedience is without moral merit.

In the company of the angels was Iblis, who refused to bow down (2:34). Iblis is not an angel, obviously, if he can disobey God's command. Iblis is another creature with free will called a *jinn* in the Qur'an. Jinns are like humans in that they have free will, but different in that they are not made of clay but of some alien nature described by the Qur'an as "smokeless fire."

Another section of the Qur'an adds a significant detail: "(God) said: 'What prevented thee from bowing down when I commanded thee?' He said: 'I am better than he: thou didst create me from fire and him from clay'" (7:12).

Satan (as Iblis is henceforth called) reveals his nature in this response. If he had instead said, "I bow down to no one but You," that would have been a positive response. Instead he asserts superiority over man on the grounds of his material nature, a petty arrogance reminiscent of the racist who professes superiority because of the color of his skin. Men and jinns are volitional beings that God shall judge on their morality, not on their material nature. Thus, God curses Satan (7:13-15), yet when Satan asks for respite, the all-merciful God immediately grants it (7:15).

Satan is neither grateful for this mercy nor repentant of his arrogance. He threatens to use the time God has granted him to lead men astray (15:62).

God said: “Go thy way; if any of them follow thee verily Hell will be the recompense of you (all) an ample recompense.

“Lead to destruction those whom thou canst among them with thy (seductive) voice; make assaults on them with thy cavalry and thy infantry; mutually share with them wealth and children; and make promises to them. But Satan promises them nothing but deceit.

“As for My servants no authority shalt thou have over them.” Enough is thy Lord for a Disposer of affairs (15:63-65).

In Islam, the devil is “the Whisperer.” He can put suggestions into our hearts, but if we choose to follow him, that choice is ours, not his. Therefore, we have full responsibility for our actions.

Adam and his wife are invited to dwell “in the garden and eat of the bountiful things therein” as they will but warned not to approach the tree, not of knowledge, but of “harm and transgression” (2:35). When Adam and Eve listen to Satan and eat from the tree, they are evicted from the Garden (2:36, 7:21-22). The Qur’an does not dump the blame on the woman. Adam and Eve share the responsibility. Both ask for mercy (7:23) and God turns in mercy towards them (7:37-38).

The biggest difference between Islam and the Judeo-Christian tradition is that, in Islam, there is no original sin. All this is preamble, a microcosm of our life on earth, but made simple. There is only one rule for Adam and Eve, stay away from the tree of harm and transgression. While our lives are more complicated, the principle is the same. The rules that govern our lives are also designed to keep us from harm and transgression.¹

THE VIRTUES OF COMMERCE

We see from the Qur’anic narration of the story of Adam that life on earth is not a punishment, but a trial. Man is not a being born into a state of sin punished by consignment to a world in which toil is misery, but a rational, volitional being placed on a stage in which he has blessed with the opportunity to demonstrate his moral worth.² Reward or punishment, whichever he may deserve, will come as the consequence of his own choices, not as an inherited punishment for the acts of his ancestors. “Every soul shall have a taste of death: and We test you by evil and by good by way of trial: to Us must ye return” (21:35)

This is the Qur’an’s answer to the problem of evil: evil, like good, in this life is a test. God knows what is the best way to test us, whether we will be faithful, not to abandon hope in bad times and not to become arrogant in the good times, but to remain true at all times.

Now when trouble touches man he cries to Us; but when We bestow a favor upon him as from Ourselves he says “This has been given to me because of a certain knowledge (I have)!” Nay but this is but a trial but most of them understand not (9:49)!

When we suffer in this world we say “Why is God punishing us?” and when something good happens we think we are so great, but God says we are wrong on both counts, the bad and the good are both tests.

The call to prayer is a call to success, *falâh*. *Falâh* means success both in this life and the next. In their prayers of supplication, Muslims routinely pray for “the good in this life and the next.” The Qur’an never argues against self-interest, rather it takes it for granted that man seeks his self-interest and seeks to explain to man what is in his true self-interest.

There are men who say: “Our Lord! give us (thy bounties) in this world!” but they will have no portion in the hereafter.

And there are men who say: “Our Lord! give us good in this world and good in the Hereafter and defend us from the torment on the fire!”

To these will be allotted what they have earned and God is quick in account (2:200-202).

The merit of a man is not measured by the amount of his wealth (nor his poverty, for that matter) but by how he acquired whatever wealth he has and what he shall do with it now that he has it.

Property is a necessity for man to fulfill his calling as *khalîfah*. The freedom of action by which we are tested is hampered by the absence of property. You are not as free, in the sense that you are not as empowered, if you have no property. Property is an extension of the self that leverages our freedom of choice and therefore provides the best opportunity for testing our morality.

Historically, Islam has been favorable to the merchant, beginning with the Prophet Muhammad (peace be upon him), who was a merchant, and his wife Khadijah (may God be pleased with her) who was also a merchant. Indeed, she was the wealthier of the two, and he worked for her before their marriage. It was, in fact, because she was so impressed by his strong business ethics that she proposed marriage to him, fifteen years before he received the call to prophethood. Although she was fifteen years his senior he admired her character so much that he accepted her proposal.³

Property is strongly protected in Islamic law. The punishment for theft is very severe. In his farewell pilgrimage the Prophet said to the assembled pilgrims: “O Men, your lives and your property shall be inviolate until you meet your Lord. The safety of your lives and of your property shall be as inviolate as this holy day and holy month” (Haykal, 1976, p. 486).

O Men. Harken well to my words. Learn that every Muslim is a brother to every Muslim and that Muslims constitute one brotherhood. Nothing shall be legitimate to a Muslim which belongs to a fellow Muslim unless it was given freely and willingly. Do not therefore, do injustice to your own selves (Haykal 1976, p. 487).

A CONTRACTUAL CONCEPTION OF COMMERCIAL LAW

The Qur'an holds contracts in very high regard. It has already been noted at this conference (Khawaja 2004) that the Qur'an even uses contract as a metaphor for our relationship with God, referring to the great bargain man obtains in entering a contract with God which will render him a huge profit.⁴

The Qur'an contains some details of contract law. This is further testimony to the importance of contracts as, contrary to what you may have heard, the Qur'an contains few laws and little legal detail. The legal structure of Islamic law comes from the legal precedents of the early community and from the jurisprudential analyses of the legal scholars through a process called *ijtihâd*. This word comes from the same root as *jihâd*, which means "struggle" in general, and *ijtihâd* means the struggle of the individual scholar to understand the law.

In Islam, the law is analogous to the "natural law" of the physical sciences, something to be discovered rather than invented.⁵ The natural law is whatever it is, whatever God has ordained it to be, and the physicists' theories are their articulation of their understanding of that law. So in Islam, the word *sharî'ah*, which is usually translated as Islamic law, literally means "the path to the well." Like the path to the well, like the natural laws of physics, Islamic law is whatever it is, and like the map to the path to the well, like the theories of the physicists, the struggle of the scholars to understand, is the jurisprudence of Islam, called the *fiqh*. The books of jurisprudence written by these scholars contain their conclusions as to God wants us to do, after looking at the Qur'an, the practice of the Prophet, after considering what is equitable, what is in the public interest, etc.

The overall view of human relations in Islam is contractual. Within the broad scope of the law as to what is permitted and what is prohibited, all else is determined by contract among ourselves, by mutual agreement.

The adoption of democratic formalisms that has been properly urged upon Muslims will not relieve the Muslim world of its economic stagnation if it is not accompanied by a return of the civil society institutions that were prevalent in the Muslim world during its glory era from the seventh to the sixteenth centuries when Islam was the preeminent civilization from Spain to India. In that era economic infrastructure was generally built not by the state, but by civil society institutions like the *awqâf* (charitable endowments). The economic recovery of the Muslim world will require free markets, just government, and a well-defined and protected system of private property.

Today we speak of “globalism” but in the Muslim era trade was international and a Muslim could travel from one end of the Muslim world to the other without a passport. A non-Muslim only needed a letter of introduction to travel freely throughout that period.

Of course, Islamic society, despite its wonderful dynamism, was not utopia. The Muslims had to contend with the same problems we have to contend with of overweening government. Government would perpetually exceed its allotted boundaries. The scholars were often the brakes on that government. The scholars in those days were completely independent of the government. The founders of all four Sunni⁶ schools of Islam were persecuted for refusing to be co-opted by the government. Ibn Malik rejected the Caliph’s proposal to use his political power to give Malik’s magnum opus a privileged status among the books of law. Abu Hanifa was imprisoned for refusing to accept a judgeship. Ibn Hanbal was tortured for refusing to endorse the state-sanctioned doctrine.

Early on the Muslim governments began to insist that the scholars were no longer qualified to engage in this process of *ijtihad*, independent critical thinking, and should simply blindly imitate the decisions of previous scholars. This process of blind imitation was called *taqlid*, and gradually, after many centuries, as later generations of scholars without the intellect or the courage of the early schools caved in to the pressure, accepted government positions, and unsurprisingly rubber-stamped the government’s decisions. It is to this that I attribute the Muslim civilizations gradual decline over the centuries to its present unenviable state.

Despite these problems, Muslim society remained remarkably vibrant for a long time because of its liberality. For example, in the matter of religious tolerance, the Qur’an explicitly commands that religious minorities, particularly the Jews and Christians (5:43), have their own legal systems under Islamic law. For example, Christians, who needed wine in their sacraments, were exempt from the absolute prohibition on wine applicable to all Muslims.

Thus, there was a pluralism hardwired into the system in the concept of the protected minority, the *dhimmi*. The *dhimmi* was not really an equal citizen in the sense that all American citizens are equal. Yet too much should not be made of this. Non-Muslims sometimes reached ranks equivalent to prime minister. While a non-Muslim could not become Caliph, naturalized Americans cannot become President. A *dhimmi* paid a special tax in lieu of military service, but that tax was much smaller than the tax Lincoln imposed on persons seeking exemption from service in the Civil War.

Most important to a minority living in a given society is to be free to practice their religion, to earn their living, and to relate to their families unimpeded. For the most part of Muslim history, this is what religious minorities were allowed to do. In the West, Spain is often put forth as a romanticized example of a glorious period of tolerance, and certainly it was compared to what was happening elsewhere in Europe, but it was similar to what was the practice throughout the Muslim world. When the *Reconquista* occurred and the Jews and Muslims were driven out of Spain, the Jews as well as the Muslims sought refuge in the Muslim world.

CORPORATISM AND PUBLIC CHOICE

The limits to contract under Islamic law, it appears to me, are: that contracts must be voluntary; they must be entered into by informed consent; they must be among real persons; they must not impose costs on persons who have not entered the contract; and no agreement to commit an unconscionable act is binding.

How does commerce today differ from the heyday of Muslim civilization? In most respects they are remarkably similar. The *hawala*, a kind of bank permitting remote payments, was the beginning of modern credit. Instead of carrying heavy and easily stolen gold, Medieval Muslims used paper checks to make payments in international trade. When the Crusaders invaded the Muslim lands they quickly learned of Muslim innovations in credit transfer and the Knights Templar emulated many of the ideas, introducing them into Europe.

There are two issues that stand out as differences: *ribâ* (usually translated as usury) and the status of fictitious persons (corporations). Most Muslim scholars throughout history have interpreted any form of interest on a loan as *ribâ*. I disagree with this interpretation. I have argued elsewhere that *ribâ* means any unconscionable overcharging (whether on an interest rate or a spot price), and charging a market rate of interest does not constitute *ribâ*. (See Ahmad 1996 for a full discussion.)

The idea of a corporation as a fictitious legal person was not part of medieval Muslim law. They did have various kinds of organizations. Business partnerships, for example, existed and were similar to the limited partnerships in American law. There were also trusts of various kinds, for example a trust for the property of an orphan. I have already mentioned the charitable trusts that played an important part in the development of hospitals, clinics, roads, irrigation systems, and schools. People would write a charter for an endowment, donate assets dedicated for a specific purpose, and appoint its initial board. These organizations were perpetual, but they were considered to be property, not legal persons. Orphans' trust funds were the property of the orphans and endowments were the property of the people who set them up. It is people who have freedom of choice; it is people who are the *khalifah*; it is people who are held responsible for their actions. Corporations have no consciences.

The problems of corporations are well dealt with by public choice theory. The bigger an organization becomes, the more divorced the interest of the various stakeholders become from one another. In a one-man operation, labor, management, and the owner is the same person. It is simply impossible for the worker to slack off on management or for management to cheat the owner, or for the owner to be oblivious to the working conditions. In a small family enterprise such things become theoretically possible, but remain unlikely because the common interests of the family are strong, the individuals engaged in the enterprise are too intimate with one another to allow things to go beyond certain limits. When you get to organizations the size of Enron the problem becomes

enormous, and thus we have developed complex rule of business ethics, rules of governance and accounting in an effort to develop transparency and accountability. Such rules did not develop in the Muslim world because the state-imposed protections given to fictitious corporations were not there. The fact that some individual or individuals must retain personal responsibility for the actions of an organization put a natural limit on the size of commercial enterprises.

Thus if modern state-protected forms of corporate organization (fictitious persons) are to exist in the Muslim world, then safeguards that attempt to deal (however imperfectly) with the problems such institutions generate will have to be developed. The existence of corporations certainly leverages the productivity of commerce, the problems of corporations (limited liability, for example), which after all are artificial creations of the state, must be addressed. For example, limited liability is a privilege given to corporations that seems to violate the spirit of individual responsibility that we associate with true free enterprise.

When the colonial powers conquered the Muslim world they dismantled the civil society institutions and turned their functions over to the state. The state was the only corporate entity they permitted in the Muslim world, yet, because of its monopoly on the use of force, the state is the corporation most susceptible to the abuses engendered by the public choice dilemma. Add to this the view that the cultural bias that sees a corporation as the private property of its founder or CO, and you can understand why the Muslim world is plagued with dictators. We must find a way to overcome that cultural attitude but it is naive in the extreme to think it can be overcome by turning on some light switch. Ellen Klein's (2004) observation about teaching democracy in Bosnia can be applied to teaching good corporate governance in the Muslim world in general: "It's a messy and painful process like any birth." As recent events have demonstrated, the idea that one can march an army into a country and, within months, set up a healthy democracy is a fantasy divorced from the real world.

I think the most effective way to deal with these issues is to "plant seeds" among the intellectuals of the society to explain the need for these institutional issues to be addressed and to tie them to the principles and precedents of that culture and especially the Muslim religion, to let them evolve a spontaneous order that accommodates these ideas and accept that fact that it may take a while and there may be many wrong turns and failed experiments en route. It took Britain a long time to establish a liberal democracy and even building on the shoulders of the British, America had to go through the Articles of Confederation before writing the Constitution, and then have a civil war before giving the vote to black men, decades more before giving the vote to women, and more decades before giving it to 18 year olds. (Iran is the only country that gives the vote to 16 year olds.)

THE ROLE OF RELIGION AND SPIRITUALITY

Is there a role for religion and spirituality in a global and postmodern business world? When Muhammad was a young man, before he had received the call to Prophethood, he co-founded a group called the “League of Ethical Businessmen,” intended to encourage the merchants of Mecca to be honest in their dealings and to share with the poor a part of their wealth. His efforts there may have added to his personal reputation for honesty and generosity, but whatever influence the league may have had on others, it pales against the influence Muhammad has had on history as a prophet. In his book, *The One Hundred Most Influential Men in History*, Michael Hart rated Muhammad at the top of the list, not for founding the League of Ethical Businessmen, but for establishing a religion that to one degree or another impacts the lives of 1.3 billion people in many ways, including their business ethics.

If there were no role for religion and spirituality in the modern world, it would be because other forces have squeezed them out, either assuming their role or making fulfillment of their purpose impossible. Have institutional safeguards and state regulation made ethical self-regulation obsolete? Hardly. Enron is only the tip of an ugly iceberg.

Have the scale and competitiveness of global markets today made it impossible for religion to fulfill its role in inspiring good business ethics? On the contrary, unless people have faith in markets they will either collapse or be made impossible by popular pressure and/or political interference. Consider the hope that market interventionists have placed in environmental issues. The same people who once openly pushed socialism have in the face of that ideology’s undeniable failure sought to bring it back by calling it environmental protection. These people are called “watermelons,” green on the outside and red on the inside. Human actors who voluntarily embrace their appointment as God’s stewards on earth will avoid the actions that make them vulnerable to such predators.

In the first few hundred years of Islamic history, Muslim legal scholars developed a sophisticated and detailed commercial law in which all agreements are by voluntary, informed consent within the limits of the law. The general limits put on commercial activity by the Qur’an are of four kinds: the prohibition of theft, of fraud, of taking unfair advantage, and of engaging in a generally prohibited activity. Thus, as extramarital sex is prohibited, so is prostitution, which is only a commercial example of a prohibited act. The act is prohibited because of its social and personal consequences, not because it is commercial.

Theft, being an example of the initiation of coercion is not a free market activity. Similarly, few would argue that fraud is admissible in a free market. An agreement made without the informed consent of both parties is no agreement at all, and the attempt of one party to impose it on another is just a variation on theft.

While we may call on the state to enforce violations of these standards, the fact is that a society in which we *had* to call on the state in every case would be a dysfunctional society. Only where the strength of moral imperatives make the need for coercive enforcement the exception rather than the rule can economy be expected to flourish. If we had to sue to enforce every clause of every contract we entered into, commerce would

grind to a halt. This self-enforcement is the hallmark of the religious society, by which I mean a society of religious people, those people for whom the enforcer is not Hobbes' Leviathan but Divinity.

The prohibition on unfair advantage is more controversial. What constitutes an unfair advantage? A contract between A and B, the enforcement of which you might favor if you were A, but would oppose if you were B, would be a contract that fails the fairness test. A boatman who sees a man drowning offers him a ride to the shore not for his usual fare of \$2 but in exchange for all his worldly goods is clearly at an unfair advantage. Because it is more difficult to obtain a general consensus on this, it is even less desirable to rely on litigation here. Legal determination of fairness is possible, but the efficiency of the market will be severely impaired by frequent resorts to the courts to make such determinations. A willingness on the part of the people not impose contracts on others that they would deem unfair if imposed upon them is a spiritual issue best enforced by a sound conscience.

Because the above issue is controversial among market liberals, I want to make the point very clear. I am not claiming that the moral duty to help others is enforceable by the state. In any case that is a different issue from the question of the enforceability of an unfair contract. Denying the enforcement of a contract between a drowning man and the boatman who demands all the wealth of Fortune's victim is not a violation of market principles, but rather recognition that there *is no market* in the hypothetical example. Markets regulate prices better than the state can, but only where they exist, that is, where there is competition. Had six boatmen been present near the drowning man, the price they would have asked would have been reasonable. The boatman in my example can be unreasonable only because of the *absence* of a market. Thus, we have identified at least three cases where overcharging is possible: by coercion, by fraud, and by the absence of a market.

The category of generally prohibited activities is the most controversial. Conservatives may have no problem with general principle, but may disagree as to which activity should be prohibited, depending on their own choice of religion or moral code. Most Christians would seek to prohibit polygyny (marriage to multiple wives) but allow liquor sales, while most Muslims would hold the opposite view. Libertarians would oppose state intervention prohibiting any such activity, leaving it to individual conscience. This is the area where religion and spirituality must fill the gap that market regulation in a free society cannot fill. In addition to avoiding force, fraud, and unfairness, the religious businessman will not engage in pandering. If market research shows that the four most profitable enterprises in a potential market are, in order of decreasing profitability: recreational drugs, gambling, prostitution, and health-care, he will choose health-care. He will not make the excuse that since his customer has voluntarily chosen a course harmful to the self, his pandering has no moral significance.

CONCLUSIONS

It has been correctly noted that many leftists who oppose globalization are really opposed to freedom of trade in itself and not any real or imagined side effects. However, to ignore real harm that is being done under the cover of globalization is to drive the mass of humanity that is victimized by those crimes into the arms of those leftists.⁷ Muslims have no inherent sympathy for either atheistic Marxism or anti-market socialism. However, leftists have confused the issue by associating imperialism with capitalism. On my first visit to Turkey I found that when we spoke of free markets to students they never argued with us over any of the economic issues. They only demanded to know why did the liberal thinkers not speak out against imperialism. It is a faint defense to assert that Edmund Burke and Ludwig von Mises opposed imperialism, as that was a long time ago. They want to know about what's happening in our time: Why didn't market proponents speak out against American support of the Shah of Iran, or of Saddam Hussein's aggression against Iran; or of the Mubarak regime in Egypt; or of the Israeli occupation of the West Bank and Gaza. They want to know what does the philosophy of liberty have to say about the decision of the American government to invade Iraq and depose its former ally on the pretext that he had weapons of mass destruction and fanciful links to persons who did wish us ill but who came from another country entirely.

We have to become good salesmen by becoming sensitive. When we talk about free markets we must broaden our attention beyond the evils of price controls. Even the most conservative of Muslim scholars, Ibn Taymiyyah, was opposed to controls over prices set by market forces (i.e., absent a monopoly). He quoted the Prophet who, when a natural disaster caused the price of a particular commodity to soar, rebuffed the pleas of his people to fix the prices of the commodity. The Prophet's response was, "Allah grants plenty or shortage; He is the sustainer and real price maker (*musa`ir*). I wish to go to Him having done no injustice to anyone in blood or in property" (Islahi 1988, p. 94). In other words, "God has set one price and you want me to set another?"

Selling free markets to Muslims is easy. We need to address the politically sensitive issues that have been attached to the issues of economic reform. We need to distinguish the "free market" from the crony capitalism in which politically influential corporations in the Western world take advantage of the relationship between the American government and Third World dictators to enrich themselves and the dictators at the expense of American taxpayers and potential Third World entrepreneurs who are denied a place in the market.

The pattern of which I speak is well characterized by the following example given by Lederer (1961, pp. 14-17). In the late 1950s the largest recipient of aid per capita in the world was Laos. That money did not provide a rising tide to float all the Laotian boats. Rather, a small elite became enormously wealthy, spending their money not in trade with their fellow Laotians, who had nothing to sell them, but in buying luxury goods beyond the reach of the Laotian masses from including Communist China (from which the aid was intended to distance the Laotians). All Laos knew of the government corruption engendered by the American aid and the population responded to the Communist propaganda that capitalized on it. In the next election the Communists won a resounding victory.

That pattern is still repeated around the world, notably in the Muslim countries. Now, in Iraq, in the name of the war on terrorism, major American corporations are becoming wealthy on American tax money while displacing the masses of Iraqi engineers (a disproportionate part of the Iraqi people are engineers) that could be doing the job using Iraq's own "dead capital."⁸ The effort to establish an environment of commercial laws and business ethics that could revive and deploy dead capital would be much assisted by putting on the front burner opposition to crony capitalism and neoimperialist policies that contribute to keeping the capital of the Third World in its morbid state.

Good salesmanship requires that we relate the benefits of free markets to the needs of the people we wish to embrace them. A recognition of their spiritual and religious heritage and its links to the principles and history of the development of markets and a frank admission of where we have betrayed those principles are indispensable to the propagation of the blessings of commerce and good business ethics.

There is a parable about a man who had four wives. He loved the fourth the best and would dress her in the finest clothes and shower her with gifts. He loved the third a great deal and would boast of her to his friends. He loved the second somewhat, but never gave her the time and attention she deserved. The first he had lost affection for and never paid her any attention. One day the man learned that he was dying. He turned to his fourth wife and asked if she would accompany him into death. "No way," she replied. "When you're dead, I'm out of here." The man was crushed by this response. He asked the third wife if she would accompany him into death and she said she would not, that when he was gone she would find another man to marry. Disappointed, he turned to his second wife and asked if she would accompany him into death. She said, "I love you a lot, but what you ask is impossible. When you are dead, all I can do is to bury and praise you." Finally, he turned to his first wife and asked if she would follow him into death and she replied, "Nothing could separate me from you," and he became ashamed of the way he had neglected her.

His fourth wife was his body, and when he died it would turn to dust. His third wife was his possessions, and when he died they would belong to someone else. His second wife was his friends and family, and when he died all they could do is to bury him and mourn his loss. His first wife is his soul, mind and spirit, the very essence of his self. In Islamic law a man may only have more than one wife if he treats them equally, and that is the key to understanding this parable.

While we are on this earth we should take care of everything: our bodies, our property, our friends and family, and our mind and spirit. This is summed up in the Muslim proverb attributed to the Prophet's cousin Ali Ibn Abu Talib: "Work for this life as though you are going to live forever; work for the next life as though you will die tomorrow."

¹ "O ye children of Adam! We have bestowed raiment upon you to cover your shame as well as to be an adornment to you but the raiment of righteousness that is the best. Such are among the signs of God that

they may receive admonition! O ye children of Adam! let not Satan seduce you in the same manner as he got your parents out of the garden stripping them of their raiment to expose their shame: for he and his tribe watch you from a position where ye cannot see them: We made the evil ones friends (only) to those without faith.” (7:27-28)

² “When they do aught that is shameful they say: ‘We found our fathers doing so’; and ‘God commanded us thus’: say: ‘Nay God never commands what is shameful: do ye say of God what ye know not?’ Say: ‘My Lord hath commanded justice; and that ye set your whole selves (to him) at every time and place of prayer and call upon him making your devotion sincere as in his sight: such as he created you in the beginning so shall ye return.’ Some He hath guided: others have (by their choice) deserved the loss of their way: in that they took the evil ones in preference to God for their friends and protectors and think that they receive guidance. O children of Adam! wear your beautiful apparel at every time and place of prayer: eat and drink: but waste not by excess for God loveth not the wasters. Say: Who hath forbidden the beautiful (gifts) of God which He hath produced for his servants and the things clean and pure (which He hath provided) for sustenance? Say: they are in the life of this world for those who believe (and) purely for them on the Day of Judgment. Thus do We explain the signs in detail for those who understand. Say: The things that my Lord hath indeed forbidden are: shameful deeds whether open or secret; sins and trespasses against truth or reason; assigning of partners to God for which he hath given no authority; and saying things about God of which ye have no knowledge.” (7:28-33)

³ Although pre-Islamic law put no limits on the number of wives a man could have and Islamic law, although it limited and regulated polygyny, did not prohibit it completely, nonetheless, Khadijah was Muhammad’s only wife as long as she lived.

⁴ See e.g., Qur’an 9:111, 61:10, 2:245, 57:11, 64:17, and 5:12.

⁵ It is pertinent to point out here that the Islamic civilization was dynamic in its development of the physical sciences as well as the legal sciences. See, e.g., Ahmad (1992) and Sarton (1927).

⁶ 85-90% of all Muslims belong to the Sunni denomination of Islam, which primarily consists of four schools Hanafi, Shafi, Malaiki, and Hanbali. (The Wahabis, who have gotten much press recently, are historically a radical offshoot of the Hanbali school.) The rest are mostly of the Shi’a denomination

⁷ See, e.g., Chaufen (2004).

⁸ See DeSoto (2000) for a detailed explanation of the notion of “dead capital,” that the poor of the world actually possess resources that they are unable to mobilize.

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